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REPORT BY THE

Comptroller General

OF THE UNITED STATES

ORIGINAL
COMPLETED

Better Planning Needed By Postal Service In Relocating Mail Processing Operations

The Postal Service's relocation of its mail processing operations from York to Lancaster, Pennsylvania, reflected inefficiency in the transfer, poor handling of personnel actions, and poor communication between management officials and employees.

GAO recommends that the Postal Service revise its guidelines for future relocations to require that

--employees are informed about the transfer,

--adequately trained personnel are available to handle postal operations, and

--staffing levels projected by economic feasibility studies are sufficient to handle the facilities' workloads.

(30)

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-201353

The Honorable William L. Clay
Chairman, Subcommittee on Postal
Operations and Services
Committee on Post Office and
Civil Service
House of Representatives

Dear Mr. Chairman:

This report is in response to your September 10, 1979, letter requesting that we investigate the Postal Service's decision to move the majority of the mail processing operations from the York, Pennsylvania, Post Office to the Lancaster, Pennsylvania, Post Office. As you requested, we examined the effect of the move on operations, costs, and postal services. In addition, we examined the treatment of affected personnel.

As agreed with your office, copies of the report are being sent to the Postmaster General, interested congressional committees, and copies will be made available to others on request.

Sincerely yours,

Comptroller General
of the United States

REPORT BY THE COMPTROLLER GENERAL OF THE UNITED STATES

BETTER PLANNING NEEDED BY POSTAL SERVICE IN RELOCATING MAIL PROCESSING OPERATIONS

D I G E S T

In October 1979 the Postal Service transferred selected mail processing functions from York, Pennsylvania, to the newly constructed facility in Lancaster, Pennsylvania. In doing so, the Service failed to effectively communicate with its employees creating a possible morale issue, and overestimated the annual savings attributable to the move. Future moves should be better planned and implemented.

PERSONNEL ACTIONS COULD HAVE BEEN HANDLED BETTER

Although the Postal Service informed union officials in November 1978 about the impending consolidation, it did not directly provide York employees any information about the transfer until July 1979. Prior to this notification, postal officials made misleading statements concerning the effect of the consolidation on York employees. (See p. 5.)

Subsequent to the July notification, Postal Service officials held meetings with union officials but did not meet with employees to explain their rights and options. GAO discussions with employees indicated that at the time of the transfer they were confused and not fully informed about their rights and options. (See p. 6.)

After GAO brought this matter to the Postal Service's attention, the Service's Eastern Region issued a directive to local management officials requiring them to communicate directly with employees in future actions involving employee relocations, rather than deferring this function to the union. It also directed local managers to advise employees as to their rights and options. (See p. 7).

Tear Sheet. Upon removal, the report cover date should be noted hereon.

TRAINING NEEDS NOT MET
IN A TIMELY MANNER

At the time the Postal Service implemented the York/Lancaster consolidation, the number of trained personnel at both locations was not sufficient to perform necessary postal operations. The lack of trained personnel probably increased operating costs and hampered postal operations at both York and Lancaster. (See p. 8.)

At Lancaster, not enough trained letter-sorting machine operators were available. At York, senior employees retained to fill positions such as machine operators and window clerks needed training to perform these jobs.

To accomplish the necessary mail processing functions, the Service increased overtime workhours and used the services of personnel from associate offices.

POSTAL SERVICE OVERESTIMATED
SAVINGS

The Postal Service's economic feasibility study projected that annual savings of almost $1 million would result from the transfer of selected mail processing operations from York to Lancaster. GAO believes that annual recurring savings were overestimated by at least $337,000. (See p. 13.)

The study overestimated the number of people "excess" to York's needs and underestimated the number of people needed to handle Lancaster's increased workload.

The Service's study also did not consider costs which should be expected to occur on a one-time basis. GAO estimates that startup costs for training, employee relocation, and overtime totaled about $147,700. (See p. 16.) On the other hand, transportation costs during the first year will be $35,600 less than the study projected. (See p. 16.)

YORK LANCASTER CONSOLIDATION HAD LIMITED IMPACT ON SERVICE

The transfer of mail processing functions from York to Lancaster did not significantly affect the service to most postal patrons. Although at the outset some patrons experienced problems, the Service took timely action to resolve them. (See p. 18.)

RECOMMENDATION TO THE POSTMASTER GENERAL

GAO recommends that the Postal Service revise its guidelines for future relocations of mail processing functions to require that

--employees are adequately informed about the transfer,

--adequately trained personnel are available to handle postal operations, and

--staffing levels produced by economic feasibility studies are sufficient to handle the workload of the gaining and losing facilities.

AGENCY COMMENTS

The Postmaster General agreed with GAO's findings and is taking actions consistent with its recommendations. (See app. II.)

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CHAPTER 1

INTRODUCTION

The Postal Service transferred selected mail processing operations from the York, Pennsylvania, Post Office to the Lancaster, Pennsylvania, Post Office on October 20, 1979. Because of several concerns about the transfer, the Chairman of the House Subcommittee on Postal Personnel and Modernization 1/ asked us to evaluate the Postal Service decision to transfer York's operations. (See app. I.)

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with the Chairman's request, we

--examined the effect of the move on operations and costs;

--evaluated the manner in which affected employees were treated; and

--considered the impact of the consolidation on service to postal patrons.

To accomplish these objectives, we visited the Postal Service's Eastern Regional and Transportation Management Offices, Philadelphia, Pennsylvania; the Susquehanna District Office, Camp Hill, Pennsylvania; the Harrisburg and York, Pennsylvania Post Offices; and the Lancaster, Pennsylvania Management Sectional Center. We examined (1) records justifying the move of operations from York to Lancaster, (2) actions taken to reassign employees who lost their jobs at York, (3) accounting and mail processing records used in determining savings, (4) transportation files showing the movement of mail after the transfer, and (5) customer service complaints.

We talked to

--postal officials at the locations we visited to clarify and augment recorded information;

--postal employee union representatives;

1/Since the date of his request, the requestor became Chairman, Subcommittee on Postal Operations and Services, Committee on Post Office and Civil Service.

--31 employees who were assigned to positions in Harrisburg or Lancaster or to different positions in York; and

--representatives of the York Chamber of Commerce and firms that had experienced problems with mail service after the transfer.

AREA MAIL PROCESSING--A PROGRAM TO REDUCE COSTS

The Postal Service continually strives to improve productivity and reduce labor costs, which account for about 85 percent of the Service's $19 billion budget. A major effort in this direction has been the implementation of a nationwide program known as area mail processing. Under this concept, mail processed at several associate offices 1/ within an area is consolidated in a central processing facility 2/, sometimes referred to as an area mail processing center, for processing and dispatch. Through this program, the Service has expanded the level of mechanization, increased worker productivity, reduced personnel costs, and made more efficient use of transportation while improving or maintaining the quality of mail service.

WHY THE POSTAL SERVICE TRANSFERRED YORK OPERATIONS TO LANCASTER

In order to reduce operating costs, the Postal Service first considered combining Lancaster and York mail processing operations in 1974. Consideration was given to combining York and Lancaster operations at Harrisburg or constructing a new facility to house all outgoing and incoming mail processing for both cities. The concept of a combined mail processing facility for the area was agreed to in early 1975, and Lancaster was selected as the location for the new facility.

1/An office located within the boundary of a management sectional center, usually receiving and dispatching all classes of mail from and to the management sectional center. A management sectional center is a postal facility responsible for all post offices within assigned Zip Code areas.

2/Generally a mechanized facility for processing incoming and outgoing mail for a number of local post offices in a designated service area.

The Postal Service cited the following factors as the basis for the selection of Lancaster over York, although York had the larger mail volume:

--Lancaster had a multi-position letter-sorting machine with a number of trained operators and maintenance personnel; York, on the other hand, had single position letter-sorting machines which were less productive.

--Lancaster was closer to the Philadelphia National Transportation Center, Air Mail Facility, and Bulk Mail Facility. The selection of York would have required mail to be transported in the opposite direction for processing and then backhauled to Philadelphia.

In early 1975, the Service also considered consolidating those operations that would remain in York into one new facility but decided, in early 1976, to keep the remaining postal operations at the same facilities in York. Postal operations now in York are housed in old facilities, and postal officials informed us that a new facility is again being considered to combine all incoming mail processing and carrier operations at one location. The old locations would be changed to retail sales stations.

The Postal Service's final decision to construct a mail processing facility at a site located near Lancaster was based on a study by a consulting firm. The study, approved by the Postal Service on August 26, 1976, estimated that construction costs would be $8.4 million for a mail processing facility and $596,000 for a new vehicle maintenance facility. The study projected net savings of $767,000 in 1980, the first year of operation, and total operating cost savings over a 10-year period of $12.6 million.

The construction of the Lancaster facilities began in January 1978 and was completed in July 1979. The actual cost of the facilities was $6.5 million. In addition, two new multi-position letter sorting machines costing $200,000 each were purchased for the mail processing facility.

Mail processing operations from the Lancaster Post Office were moved to the new facility at the end of July 1979. On October 20, 1979, mail processing operations from York were transferred to the new Lancaster facility.

CHAPTER 2

PERSONNEL ACTIONS COULD HAVE BEEN HANDLED BETTER

The York experience indicates that the Postal Service needs to take action to assure that personnel who are being excessed are treated properly. Management officials did not adequately inform York employees about the transfer and made public disclosures which were misleading. Subsequent to notifying personnel of their new work locations, Service officials did not meet with the affected employees to discuss the excessing procedures and answer questions. As a result, employees were confused about their rights and options.

POSTAL SERVICE MADE MINIMAL EFFORTS TO INFORM AFFECTED EMPLOYEES ABOUT THE TRANSFER

We found that postal management made minimal efforts to inform the affected employees about the transfer. Although the Postal Service complied with the terms of the union agreement, employees could have been notified in a more timely manner. Further, the Post Office contacted employees primarily through written notifications. Face-to-face discussions with affected employees were apparently very limited.

The union agreement states that when employees are being involuntarily reassigned from one location to another

--regional union leaders shall be notified in advance (as much as 6 months whenever possible) and

--employees affected shall be given not less than 60 days notice.

The Service notified regional union officials about the impending consolidation in November 1978, but did not indicate what the impact would be on employees in York until May 21, 1979. On that date, the Service informed the unions of the impending excessing of 105 York nonsupervisory employees and an increase of 81 nonsupervisory positions in Lancaster.

The Service notified affected York employees on July 30, 1979, but this initial notice did not indicate where the employees would be assigned. On August 15, 1979, the Service

sent the affected employees letters which assigned them involuntarily to various locations: Harrisburg, Pennsylvania; Allentown, Pennsylvania (Lehigh Valley); Baltimore, Maryland; Reading, Pennsylvania; Shippensburg, Pennsylvania; and Washington, D.C.; as well as Lancaster, Pennsylvania. The letters stated that employees had the option to revert to a part-time/flexible position in their craft and remain at York. The letters also pointed out the possibility of additional positions becoming available, the employees' right to apply for a subsequently posted vacancy, and the requirement for submitting a written request to be eligible for retreat rights (i.e., return to York).

The letters did not answer questions of particular interest to the employees, such as entitlement to moving costs. Postal officials, who we presumed would have informed employees about their rights and options, did not recall having had any meetings with the affected employees. The employees we interviewed did not recall any meetings as such; only that their supervisor read a memo to them as to what was going to occur. Some employees told us that their rights and options were explained by union officials.

POSTAL SERVICE FURNISHED MISLEADING INFORMATION ON IMPACT OF TRANSFER

Although the Service notified the unions in November 1978 that the transfer would take place, Service officials made statements to the press and to employees which were misleading about the impact of the transfer on employees.

A Lancaster postal official told a newspaper reporter in April 1979 that talk of excessing was a bit premature and that there had been a great deal of attrition over the past several years which would certainly alleviate the need for transferring York employees. In addition, on April 27, 1979, the Lancaster Postmaster sent a letter to an employee who had inquired as to whether he would be eligible for "early out" retirement. The letter informed the employee that there were no plans to transfer any of the York Post Office workload to any other area, nor any plan to transfer any of the York employees. Extracts from this letter were published in the local newspaper.

The York Postmaster stated that his employees generally believed that when the mail processing operation moved to the new Lancaster facility, the employees affected

by the move would also transfer to Lancaster. The Postmaster felt employees had to be shocked when they received the August 15, 1979, letter assigning them to other locations.

The following schedule shows the locations to which affected York employees were to be assigned according to the August 15, 1979, notification and the actual locations where these employees were working as of March 21, 1980.

Postal Location	August 15, 1979, notification	March 21, 1980, status
Lancaster	25	33
York	3	27
Harrisburg	30	25
Washington, DC	5	-
Baltimore	24	-
Reading	3	-
Philadelphia	1	-
Shippensburg	1	-
Columbia	1	1
Waynesboro	2	-
Palmyra	1	-
Lehigh Valley	1	-
Red Lion	-	2
Auburn	-	1
Mt. Joy	-	2
Camp Hill	-	1
Retired	-	3
Resigned	-	2
Totals	97	97

As shown by the schedule, the end result was far different from the initial notification. Fifteen employees assigned to other offices were subsequently reassigned to York; five employees assigned to other offices elected to take part-time flexible positions at York; and four employees who transferred to other offices later returned to York.

EMPLOYEES WERE CONFUSED ABOUT THEIR RIGHTS AND OPTIONS

Discussions with employees disclosed that, at the time of the transfer, some were confused about their rights and options and had erroneous conceptions as to the actions they could have taken.

Single-position letter-sorting machine employees being trained as level 6 1/ operators of multi-position letter-sorting equipment erroneously believed that if they did not qualify as a multi-position operator, they would have to transfer to distant locations or be terminated. Two employees assigned as carriers believed they would lose their return rights if they voluntarily bid on another job even though their circumstances would indicate that they could bid on another job. Another employee was physically unable to become a machine operator and believed that she could not apply for Lancaster since they wanted only machine operators. As a result, she elected to become a part-time flexible employee at York.

CONCLUSIONS

The Postal Service's handling of personnel actions in the York/Lancaster consolidation was not as effective, complete, and considerate as it might have been.

We informed Eastern Region postal officials of our findings on how the affected employees were treated, and on May 22, 1980, they issued a directive to local management officials which in essence stated that management should discuss excessing matters with affected employees and not defer this function to the unions. The directive states "it is better left to management to advise employees of the effects of 'excessing' on them and their options under such circumstances."

RECOMMENDATION TO THE POSTMASTER GENERAL

To assure that employees other than those located in the Eastern Region are adequately informed about proposed transfers, we recommend that the Postal Service revise its guidelines for future relocations of mail processing functions to require that employees be adequately informed about their rignts and options.

AGENCY COMMENTS

The Postmaster General informed us that the Postal Service would issue guidance consistent with the above recommendation. (See app. II.)

1/Salary grade of operators of multi-position letter-sorting machines.

CHAPTER 3

TRAINING NEEDS NOT MET IN A TIMELY MANNER

The Postal Service transferred York mail processing operations to Lancaster without having sufficient numbers of trained personnel at Lancaster and York to perform necessary functions. We found that:

--The Service projected that a total of 114 machine operators would be needed in Lancaster after the consolidation. At the time of consolidation, Lancaster had only 42 full-time qualified operators and by March 27, 1980, only 80 such operators.

--Because the excessing action had to be based on seniority, some York employees who were in positions not directly affected by the transfer lost their jobs. Senior employees assigned to these jobs were not trained to perform the duties at the time of the transfer.

TRAINING OF MULTI-POSITION LETTER-SORTING MACHINE OPERATORS WAS LATE

Mechanization is the key to economical and effective operation of an area mail processing facility such as the one at Lancaster. The operating plan for the Lancaster facility projected a need for 114 full-time multi-position letter-sorting machine operators. At October 20, 1979, the effective date of the transfer, Lancaster needed 72 additional full-time qualified operators. Lancaster officials anticipated that they would satisfy all or at least most of this requirement by training employees who would be excess to York's needs after the transfer to Lancaster.

The need for trained multi-position machine operators was discussed as early as February 1978, but training did not start until about 2-1/2 months prior to the transfer. A Postal Service official stated that 64 people could be trained in about 20 weeks to handle outgoing mail. Additional training would be required to process incoming mail. Postal Service officials were concerned about starting training too early because they felt this would be tantamount to announcing the transfer of York operations to Lancaster and would be opposed by the union. Minutes of a meeting held by Service officials on June 7, 1979, included a statement that the people at York could not or would not

become multi-position machine operators at Lancaster, and they would have to be involuntarily reassigned to other offices.

The first effort to obtain York employees for the training program was a bulletin board notice dated June 8, 1979, that offered operator training for 60 positions at Lancaster. The notice did not mention the planned transfer of operations from York to Lancaster. As a result of this notice, 25 employees applied for training but, by June 15, 1979, 20 had withdrawn because of an erroneous belief that those who completed training successfully would be obligated to transfer to Lancaster and not be allowed to stay at York or apply for other vacancies. This matter was discussed in a meeting with union representatives on June 20, 1979, and the employees were told that they would not have to take jobs in Lancaster if they took the training.

The training program started on August 9, 1979, which was subsequent to the date that York employees had been notified that they were being excessed. At that time and soon after, 55 employees from York enrolled for training. At the time of the transfer, October 20, 1979, only 17 of the 55 employees had qualified as operators. Fourteen of these seventeen employees became operators at Lancaster.

At the time of our visit, in April 1980, Lancaster had 80 qualified full-time operators. Lancaster officials told us that they would soon hire 34 additional full-time operators to reach the desired staffing level of 114.

IDENTIFICATION OF EMPLOYEES NEEDING TRAINING WAS LATE

The union contract requires that excessing actions be based on seniority. This requirement, combined with the inclusion of several types of jobs in one craft category, resulted in York keeping employees who could not, without training, perform the duties of the positions to which they were assigned.

Under the Service's job classification structure, the clerk category covers several types of jobs which require different skills or training. In excessing level 6 clerks, York lost single position letter-sorting machine operators but kept special clerks such as expediters who did not know how to operate the machines. In the level 5 clerk area, the Service had to excess window clerks and secretaries and keep distribution clerks to perform these functions.

The following schedule summarizes the imbalances in special work skills at York which were due to excessing.

	Trained Staff Available	Trained Staff Needed	(Over) or Short
Level 6			
Machine operators	21	24	3
Special clerks	11	8	(3)
Total level 6s	32	32	-
Level 5			
Window clerks	3	16	13
Secretaries	-	2	2
Distribution clerks	37	18	(19)
Others	7	8	1
Total level 5s	47	44	(3)

As shown above, after the transfer of mail processing functions, York needed 24 machine operators but had only 21 trained employees. We were informed that the three special clerks who had been kept to fill operator positions were being trained to operate the equipment.

In order to provide window service, York had to obtain employees from other associate offices to temporarily perform this function until the necessary number of window clerks could be trained. On April 20, 1980, York was still using one clerk from an associate office. Also, total workhours required at York and Lancaster during the 4-month period following the transfer (November 1979 through February 1980) exceeded the hours used during the comparable prior year period by 11,300. Overtime increased substantially during the month following the transfer. (See p. 16.)

We believe it is reasonable to conclude that a contributing factor to the increase in workhours was the lack of sufficiently trained personnel to perform the necessary mail processing functions at Lancaster and York.

CONCLUSIONS

At the time of the consolidation, there was an insufficient number of trained personnel at both Lancaster and York to perform necessary postal operations. Such a situation had to make operations more costly and hamper postal operations. The delay in identifying training needs and the lack of timely action to provide such training apparently resulted from the Service's desire that employees not be fully informed about the transfer before the time required by the union agreement.

We recognize that employee opposition to an operational transfer such as the one from York to Lancaster can be expected, but the desire to avoid such opposition as long as possible should not be allowed to result in a situation which could adversely affect postal operations and increase cost.

RECOMMENDATION TO THE POSTMASTER GENERAL

We recommend that the Postal Service revise its guidelines for future relocations of mail processing functions to require that adequately trained personnel be available to handle postal operations at the time of the transfer.

AGENCY COMMENTS

The Postmaster General informed us that the guidance to be issued in response to our recommendations will emphasize that training should be completed before new mail processing operations begin. (See app. II.)

CHAPTER 4

POSTAL SERVICE OVERESTIMATED SAVINGS

A major consideration in determining whether the Service should transfer mail processing operations from York to Lancaster was the dollar savings to be achieved. A Postal Service study performed in early 1979 estimated net annual savings of $945,000. These savings were to be achieved through reduced direct manpower needs as a result of increased mechanization and the reduction of support personnel. We found that the study (1) overestimated the number of people excess to York's needs and (2) underestimated the number of people needed to handle the increased workload at Lancaster. This resulted in at least a $337,000 overestimate of annual personnel savings.

We also found that the Service's study did not consider certain startup costs but that additional first year transportation costs should be $35,600 less than the amount the Service estimated.

POSTAL SERVICE ESTIMATED SAVINGS OF $945,000 ANNUALLY

The Postal Service's study to determine whether economic benefits would result from the transfer of York mail processing functions to Lancaster utilized mail volume data collected during the period January 6, 1979, through February 2, 1979, and related productivity data developed through analyses of operating and engineering reports. Utilizing the volume data and productivity rates, the study projected, for the mail processing functions to be transferred, the (1) number of people excess to York's needs after the transfer and (2) number of additional people needed in Lancaster to handle the increased workload. The computations produced a net difference of 59 people or estimated annual personnel savings of over $1 million as shown in the following table.

Mail Processing Personnel	York (Excess)	Lancaster (Added)	Difference	Savings
Direct				
Dist. clerks (PS 5)	63	-	-63	
Dist. clerks (PS 6)	12	a/ 59	+47	
Casuals	8	-	- 8	
Total direct	83	59	-24	$ 476,617
Indirect				
Mail handlers (PS 4)	19	1	-18	
Special clerks (PS 6)	4	-	- 4	
Special clerks (PS 5)	4	-	- 4	
Custodial (PS 3)	2	-	- 2	
Mechanic, mail equipment (PS 6)	1		- 1	
Supervisors	11	5	- 6	
Total Indirect	41	6	-35	675,833
Total	124	65	-59	$1,152,450

a/ Letter sorting machine operators.

The study also considered how the mail handled by York would have to be transported after the transfer and found that annual transportation costs could increase by about $207,000. Thus, the study estimated a net annual savings of $945,000.

ANNUAL PERSONNEL SAVINGS OVERESTIMATED BY AT LEAST $337,000

Projected staffing levels produced by the Service's economic feasibility study proved not to be sufficient to handle the workload at both York and Lancaster.

Number of employees excess to York's needs overestimated

As shown above, the Service's study, prepared in early 1979, projected that 124 people would be excess to York's needs after the transfer. The projections in the Service's study left York with 76 clerks and 8 mailhandlers. This

staffing level was not sufficient to handle the remaining workload. Before the transfer in October 1979, it was determined that five of the people (two mailhandlers and three clerks) scheduled for reassignment should stay in York. A December 1979 review of the staffing at York authorized an increase of 12 positions in York's staffing level (3 machine operators and 9 clerks). Thus, the number of people required to handle York's remaining workload had to be increased by 17, which reduced the estimated annual savings by about $337,000.

Number of employees needed to handle the work transferred to Lancaster underestimated

The Service's study projected that Lancaster would need 60 additional nonsupervisory people to handle the work transferred from York. As shown in the following table, Lancaster's anticipated full-time staffing levels as of April 19, 1980, exceeded the projected staffing level by 18.

	Clerks	Mailhandlers	Maintenance	Total
Full-time staffing anticipated as of 4/19/80	223	39	34	296
Full-time staffing as projected	215	37	26	278
Increase	8	2	8	18

While it is likely that some of the increase in Lancaster staffing is directly attributable to the work transferred from York, we have no basis for making a precise determination.

Study errors contributed to overestimate of personnel cost savings

The increases in personnel at York and Lancaster over those projected by the study were caused to some extent by errors in the study. An erroneous determination of the type of people involved in direct mail processing functions transferred to Lancaster resulted in (1) too many manual distribution clerks being declared excess to York's needs and (2) insufficient staff at Lancaster to handle manual distribution functions transferred from York. In addition,

the use of a wrong productivity rate for manual processing of letters at York contributed to the overestimate of personnel cost savings.

Direct mail processing time not computed correctly

The various work activities included in the study as direct mail processing functions were mail preparation, manual letter distribution, machine letter distribution, and flat mail (large envelopes, magazines, and newspapers) manual distribution. Different craft employees normally perform these work activities. That is, mailhandlers do mail preparation work, manual distribution clerks (level 5) manually sort the mail, and machine distribution clerks (level 6) operate the letter-sorting machines. However, the Service's study considered all of the mailhandlers that were excess to York's needs as support personnel and not involved in direct mail processing functions transferred to Lancaster. Clerk positions instead of mailhandler positions were used for the mail preparation work included in the computation of direct mail processing time. This resulted in the Service declaring too many people excess to York's needs.

Manual distribution and mailhandler functions were transferred from York to Lancaster, but the study projected that only one additional mailhandler would be needed at Lancaster. No clerk positions, other than the 59 machine operator positions, were added at Lancaster to handle the manual distribution functions transferred from York.

Also, although it was known that additional equipment (one letter-sorting machine, two automatic cull and feed systems, and two Mark II facer cancellers) would be installed to handle York's mail, the study provided for no increase in maintenance personnel at Lancaster. Consequently, we believe that the Service's study underestimated the number of people needed at Lancaster to handle York's mail.

Manual productivity rate used in study was invalid

The Postal Service used a lower productivity rate for manually processing letters at York than historical data would support. Seven people would probably not have been declared excess at York if the experienced rate had been used.

York's experienced rate for manually processing letters

was 958 pieces per hour. The Service used a lower rate of 801 pieces per hour on the basis that York was processing a considerable volume of mail presorted by mailers, called "riffle" mail. Such mail requires less processing time than mail which has not been presorted by mailers. The use of the lower rate was not valid because "riffle" mail was part of the York workload which was to be transferred to and processed by Lancaster.

If the Service had used the experienced rate, the derived York time to manually process letters, as shown in the study, would be reduced from 47.5 to 39.7 equivalent staff years and seven people probably would not have been declared excess to York's needs.

STARTUP COSTS WERE NOT IN COMPUTATION AS OFFSETS TO FIRST-YEAR SAVINGS

A cost element which should be considered in the transfer of mail processing operations is one-time costs required to bring the gaining facility up to operating capability. The type of costs which should be expected to occur on a one-time basis are for training, employee relocation, and overtime. Such costs were not considered by the Service as an offset to first-year savings.

The transfer of York operations to Lancaster resulted or will result in training costs of about $73,700 and employee relocation costs of $5,700. Overtime hours incurred at Lancaster and York during the 4-week period ending November 30, 1979, exceeded hours incurred during a comparable prior year period by about 6,000 hours at a cost of $11.38 per hour, or $68,300.

INCREASES IN TRANSPORTATION COSTS WERE LESS THAN THE STUDY PROJECTED FOR THE FIRST YEAR

The study projected there would be an annual increase in transportation costs of about $207,300. However, additional first-year transportation costs should be $35,600 less than the amount estimated by the Service. The actual contracts negotiated for the first year of operation resulted in cost increases of about $158,900 greater than the costs before transfer. In addition, a Postal Service vehicle is being used at an estimated annual cost of $12,800, to transport mail collections by York city carriers to Lancaster.

CONCLUSIONS

Even with an overestimate of recurring annual personnel savings by at least one-third, the transfer of York operations to Lancaster should produce substantial economic benefits. More disturbing than the overestimate of savings was that the use of the Service's economic feasibility study as a guide to transfer employees from York resulted in 17 people being needlessly subjected to an excessing action.

Considering the personal trauma associated with an excessing action, the determination of whether York's workload could be handled by the remaining staff ideally should have been made prior to the excessing action. The York experience illustrates the importance of taking extra care to assure that staffing levels produced by economic feasibility studies are sufficient to handle the workloads of gaining and losing facilities.

RECOMMENDATION TO THE POSTMASTER GENERAL

We recommend that the Postal Service revise its guidelines for future relocation of mail processing functions to require that staffing levels produced by economic feasibility studies be checked before implementation to assure that the projected level will be sufficient to handle the workload of the gaining and losing facilities.

AGENCY COMMENTS

The Postmaster General informed us that the guidance to be issued in response to our recommendations will emphasize the importance of properly checking and validating staffing estimates prior to starting operations. In addition, the Postal Service will closely scrutinize future Decision Analysis Reports to insure that all additional costs expected in the first years of operating a new facility are included and that claimed savings are adjusted accordingly. (See app. II.)

CHAPTER 5

YORK LANCASTER CONSOLIDATION HAD LIMITED IMPACT ON MAIL SERVICE TO POSTAL PATRONS

Although there were some problems which were of major concern to selected York postal patrons, for the most part the transfer of mail processing from York to Lancaster did not adversely affect service. The adjustments in pickup and delivery of mail to York and its associate offices did not have any detrimental effect on service to their patrons. By March 1980 there appeared to be only a normal level of complaints about service.

Service revisions to contract vehicle routes did not affect service to patrons

The Service negotiated highway contracts with various transportation contractors to reroute and, in some instances, reschedule the pickup and delivery of mail between Lancaster and York, York County and Adams County post offices. We reviewed the revised routes and did not identify any instances where the revisions adversely impacted on the pickup or delivery of mail.

York delivery of periodicals was untimely

One of the problems identified shortly after the transfer was the late receipt of the Wall Street Journal at York for timely delivery to patrons. The Service resolved this problem by having the Journal delivered to York on an alternate truck route.

York sorting of box mail was late

Another service problem which occurred shortly after the transfer was the delayed sorting of mail to post office boxes in York. Prior to the transfer, the box mail was available no later than 8:30 a.m. Subsequent to the transfer, the mail was to be available at 9 a.m., but often it was not available until after that time. The patrons we interviewed stated that they had conditioned their business practices to the early receipt of mail. Some of the patrons told us that they were dependent on early receipt of remittances received in the mail for timely bank deposits.

At the time of the transfer, York did not have enough personnel available at an early hour to sort the box mail. To solve this problem, York revised employee work schedules so they would be able to sort this mail at an earlier hour. This adjustment in work schedules made most mail available around 9 a.m. The patrons we interviewed said that box mail service has improved and they are becoming adjusted to the later availability; however, they informed us that there are still instances where the mail is not available when they come in to pick it up.

When Lancaster moved its operations from the downtown office, the box holders at that office had comparable problems with the timely availability of mail.

APPENDIX I

NINETY-SIXTH CONGRESS

WILLIAM (BILL) CLAY, MO., CHAIRMAN

CHARLES H. WILSON, CALIF. WILLIAM D. FORD, MICH. GEORGE THOMAS (MICKEY) LELAND, TEX. BENJAMIN GILMAN, N.Y. WILLIAM E. DANNEMEYER, CALIF.

U.S. House of Representatives
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
SUBCOMMITTEE ON POSTAL PERSONNEL AND MODERNIZATION
309 CANNON HOUSE OFFICE BUILDING
Washington, D.C. 20515

September 10, 1979

The Honorable Elmer B. Staats
Comptroller General of the
United States
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Staats:

I am writing to request GAO to investigate the U.S. Postal Service's arbitrary decision to move the overwhelming majority of the Mail Processing and Operation from the York Post Office to the Lancaster, Pennsylvania Post Office.

This investigation should be involved with the question of inefficiency in mail handling operations and possible increased costs resulting from this change, in addition, to the tremendous morale questions that will adversely affect more than the 125 postal workers.

The American Postal Workers Union has contacted me concerning this relocation program. I have directed a letter to Postmaster General William F. Bolger, a copy of which is enclosed for your attention, asking him to postpone this move of mail operations and employees until all the facts can be gathered and studied as to the adverse impact this move would have on all concerned.

For additional information on the labor side of this issue GAO may wish to contact Mr. Leroy Hughes, President of the York, Pennsylvania APWU Local Union. Mr. Hughes was assured, on April 27, 1979, by postal management that there would be no transferral of mail or employees from York.

I look forward to hearing from you shortly.

With best wishes.

Sincerely,

William L. Clay
Chairman

Enclosures
WLC/gb

APPENDIX II

THE POSTMASTER GENERAL
Washington, DC 20260

October 24, 1980

Dear Mr. Anderson:

This refers to your proposed report on the transfer of mail processing operations from York, Pennsylvania to Lancaster.

The report finds that the personnel actions relating to the transfer could have been handled better, that the training was not timely and that the savings were overestimated. It recommends that the Postal Service's guidelines for the transfer of mail processing be revised to require that implementing plans assure that employees are adequately notified, that adequately trained personnel are available to handle postal operations and that staffing levels are sufficient to handle the workload of the gaining and losing facilities.

We agree with these findings and recommendations.

Our handbook on developing Area Mail Processing, issued in June 1979, subsequent to the development of the York-Lancaster implementation plan, does call for the development of an implementation plan that includes early identification, notification and reassignment of excessed employees and the completion of training before the new mail processing operations begin.

We will issue follow up guidance emphasizing these points in the light of your findings.

We will also emphasize the importance of properly checking and validating staffing estimates prior to starting operations and will closely scrutinize future Decision Analyses Reports to insure that all additional costs expected in the first years of operating a new facility are included and that claimed savings are adjusted accordingly.

APPENDIX II

Thank you for the opportunity to comment on this thorough and helpful report.

Sincerely,

William F. Bolger

Honorable William J. Anderson
Director
U.S. General Accounting Office
Washington, D.C. 20548

(224940)